

SPEECHES, DCI

OVERSEAS WRITERS

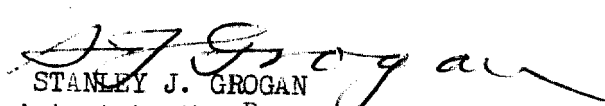
X: SOVIET ECONOMY

27 September 1957



MEMORANDUM FOR THE DIRECTOR:

1. This memorandum recommends action in Paragraph 4.
2. I believe we should exploit immediately and to the fullest, this confirmation of the situation within the Soviet Union as reported by the Director in his speech of 19 September 1957. Passing excerpts from this to individuals will give a limited report and may be smothered out by integration, politics, etc.
3. The Overseas Writers request the Director to address them in his annual talk on any date of his selection other than October 14, 15, or 16, (when they will have a group of South American newspapermen here with them in the United States). The Director could go before this Overseas Writers group next week for luncheon on any date of his selection, but preferably toward the end of the week so they could get the big turn-out they always have. He could then point to this confirmation of what he said and he could then go even further. It might be that he would want ORR to add its opinion of this report so that he could give them a great deal of detailed information on the industrial difficulties, the economic difficulties, the management difficulties and the political leadership difficulties in Russia that so obviously are worrying Khrushchev, that a new stretched out plan must be put into effect to save face -- and perhaps to save Khrushchev.
4. RECOMMENDATION: That the Director speak to the Overseas Writers on Wednesday, Thursday or Friday, October 2, 3, or 4.


STANLEY J. GROGAN
Assistant to the Director

INCOMING TELEGRAM

Department of State

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FROM: MOSCOW

TO: Secretary of State

NO: 631, SEPTEMBER 26, 7 PM

PRIORITY

SENT DEPARTMENT 631; REPEATED INFORMATION LONDON 141, PARIS 126

PRESS TODAY PUBLISHES PROMINENTLY DECLARATION CC CPSU AND COUNCIL MINISTERS USSR REQUIRING PREPARATION BY JULY 1, 1958 OF DRAFT "PERSPECTIVE PLAN" ECONOMIC DEVELOPMENT FOR PERIOD 1959-1965. (THIS COINCIDES WITH MIKOYAN REMARK TO SENATOR ELLENDER THAT ECONOMY WILL OPERATE ONLY ON ANNUAL PLAN BASIS NEXT COUPLE YEARS.)

STATEMENT EMPHASIZES THAT 20TH PARTY CONGRESS GOALS FOR SIXTH FYP ARE BEING SUCCESSFULLY ACHIEVED--GROSS INDUSTRIAL PRODUCTION 1956 IS 11 PER CENT ABOVE 1955 AND FIRST 8 MONTHS 1957 ARE 10 PER CENT ABOVE SAME PERIOD LAST YEAR--BUT PLANS NEVERTHELESS MUST ALLEGEDLY BE "MADE MORE PRECISE." ECONOMIC REORGANIZATION DEMANDS BASIC CHANGE IN PLANNING METHODS, AND NEW DISCOVERIES OF RAW MATERIALS NOT ANTICIPATED WHEN SIXTH FYP PREPARED ARE NOW SAID TO REQUIRE LONGER PERIOD FOR ESTABLISHING EXPLOITING ENTERPRISES AND NEW INDUSTRIAL CENTERS THAN REMAINING THREE YEARS OF SIXTH PLAN PERIOD, AND ACTUALLY TO NEED NOT LESS THAN FIVE TO SEVEN YEARS.

STATEMENT SAYS THAT NEW PLAN WHICH IS TO BE DRAWN UP FOR YEARS 1959 THROUGH 1965 WILL CONTINUE GIVE PRIORITY TO "PRODUCTION OF MEANS OF PRODUCTION" TO ACHIEVE OVERRIDING SOVIET AIM OF OVERTAKING MOST ADVANCED CAPITALIST LANDS IN PER CAPITA OUTPUT. IT ADDS, HOWEVER, THAT TASKS OF NEW PLAN CAN BE CARRIED OUT ONLY BY RAISING LABOR PRODUCTIVITY AND EXTENSIVE USE OF NEWEST SCIENTIFIC AND TECHNOLOGICAL ATTAINMENTS. GUIDELINES FOR PLAN DRAFTING INCLUDE, IN ORDER MENTIONED, EXPLOITING NATURAL RESOURCES EASTERN REGIONS, GROWTH FERROUS AND NON-FERROUS METALLURGY AND

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-2- 631, SEPTEMBER 26, 7 PM, FROM MOSCOW

OF CHEMICALS INDUSTRY (ESPECIALLY ARTIFICIAL FIBERS, SUBSTITUTES FOR FOOD PRODUCTS USED AS INDUSTRIAL RAW MATERIALS, PLASTICS, OTHER SYNTHETICS, AND ARTIFICIAL LEATHER), RAPID ELECTRIFICATION, DEVELOPMENT OF COAL AND, ESPECIALLY, OIL AND GAS INDUSTRY, QUICKER BUILDING COMPLETIONS AND CONCENTRATION OF INVESTMENT ON FEWER PROJECTS, INCREASE OF SCOPE AND TEMPO HOUSING CONSTRUCTION, ACHIEVEMENT OF (KHRUSHCHEV'S) MEAT, MILK AND BUTTER GOALS, AND SIGNIFICANT INCREASE IN CONSUMER'S GOODS.

COMMENT: EMBASSY ASSUMES THIS ANNOUNCEMENT IS SUBSTITUTE FOR REVISION OF SIXTH FYP EXPECTED SINCE DECEMBER. HOWEVER, INTERRUPTION OF SERIES OF HERETOFORE SACRED FIVE YEAR PLANS EVEN UNTIL 1966 (WHEN IT CAN BE REINSTITUTED) MUST HAVE BEEN DIFFICULT DECISION, IF ONLY FOR PROPAGANDISTIC REASONS. WE CANNOT BELIEVE THAT SOVIETS WOULD PILE THIS CHANGE ON TOP OF REORGANIZATION OR DROP SIXTH PLAN GOALS WITHOUT MOST PRESSING REASONS. LIKELY GUESS IS THAT REORGANIZATION AND OTHER PROBLEMS MAKE ATTAINMENT 1960 GOALS IMPOSSIBLE, BUT THAT REGIME CAN GAMBLE ON BEING ABLE RECOUP SITUATION BY 1965 AND WILL PROJECT GOALS FOR THAT YEAR WHICH, WHEN ANNOUNCED, WILL APPEAR CONTINUE LONG-TERM TREND OF INDUSTRIAL EXPANSION CARRIED ON SINCE WAR.

PROMINENT PLACE GIVEN TO DEVELOPMENT NEW SOURCES RAW MATERIALS AND REFERENCE TO LENGTH OF TIME WHICH THEIR EXPLOITATION WILL TAKE SEEM TO CONFIRM PREVIOUS SUSPICIONS THAT INDUSTRIAL GROWTH IS STRAINING SOVIET NATURAL RESOURCES, ESPECIALLY PERHAPS IRON ORE (THOUGH PRINCIPAL NEW SOURCE MENTIONED RECENTLY, KURSK ANOMOLY, IS NEITHER IN EASTERN PART USSR NOR RECENT DISCOVERY). HOWEVER, CLAIMS ABOUT NEED ESTABLISH SEVEN YEAR PLAN BECAUSE OF NEW GEOLOGICAL FINDS ARE HARDLY CONVINCING SINCE MAJOR DISCOVERIES DURING PREVIOUS PLANS (E.G., NEW OIL FIELDS AND URANIUM DEPOSITS) HAVE ONLY FACILITATED PLAN FULFILLMENT OR OVERFULFILLMENT BUT NOT CAUSED ABANDONMENT.

NOTABLE ALSO THAT TONE OF ANNOUNCEMENT, THOUGH BOMBASTIC IS MUCH MORE MODEST THAN USUAL. 1956 AND 1957 FIGURES ON EASILY EXAGGERATED AND VAGUE "GROSS PRODUCTION" (WHICH INCLUDES UNFINISHED GOODS) ARE ONLY ONES GIVEN, AND EVEN THEY SHOW SMALL DECLINE IN RATE OF EXPANSION. KHRUSHCHEV'S AGRICULTURAL GOALS AND HOUSING TRAIL ALONG AT END GUIDELINES AFTER HEAVY INDUSTRY, AND THIS MAY SUGGEST MORE REALISTIC ANALYSIS OF PROSPECTS, THOUGH GOALS NOT ABANDONED. INTERESTINGLY, ANNOUNCEMENT

IMMEDIATELY FOLLOWED ON FRONT PAGE PRAVDA (AND CARRIED ELSEWHERE

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IN ALL OTHER PAPERS) BY REPORT OF STATISTICAL ADMINISTRATION ON SUCCESSES IN RAISING MILK AND BUTTER OUTPUT, AS IF TO REASSURE PUBLIC THAT ALL IS GOING WELL IN KHRUSHCHEV PROGRAM AND THAT SEVEN YEAR PLAN STATEMENT IS NOT SIGN OF TROUBLE. HOWEVER, AFTER MUCH MEANINGLESS VERBIAGE, ACTUAL FIGURES SHOW THAT MILK OUTPUT THROUGH SEPTEMBER 20 IS IN FACT UP ONLY 18 PERCENT (WHICH IS EVEN DECLINE FROM 21 PERCENT RISE CLAIMED AS OF SEP 1 AND WHICH INDICATES SEPTEMBER MILK OUTPUT IN 1957 TO BE MUCH BELOW SEPTEMBER 1956) AND THAT BUTTER IS ONLY 16 PERCENT OVER 1956, WHICH HARDLY SEEMS ADEQUATE PROGRESS TO MEET THESE TWO KHRUSHCHEV GOALS AT PROMISED TIMES.

IN SUM EMBASSY CONSIDERS THIS ANNOUNCEMENT TANTAMOUNT TO DIS- GUISED ADMISSION OF IMPOSSIBILITY OF ACHIEVEING SIXTH PLAN GOALS BY 1960, AS WELL AS SEVERE BLOW TO "SETTLING DOWN" PERIOD NEEDED BY ENTERPRISES DURING AND AFTER REORGANIZATION. IT SUGGESTS THAT DIFFICULTIES FACING SOVIET ECONOMY MAY BE MORE SERIOUS THAN PREVIOUSLY SUSPECTED, ALTHOUGH FULLER JUDGMENT WILL HAVE TO AWAIT PUBLICATION 1957 PLAN RESULTS, ANNOUNCEMENTS 1965 TAR- GETS, OTHER ARTICLES ON SUBJECT, AND PERHAPS NOVEMBER 7 SPEECHES.

DAVIS

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